

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
FEAE-00 OMB-01 XMB-02 OPIC-03 /105 W
-----311852Z 126371 /43

P R 311800Z JAN 77
FM USDEL MTN GENEVA
TO SECSTATE WASHDC PRIORITY 2206
INFO AMEMBASSY OTTAWA

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ACTION STR

H PASS CODEL

PASS AGRICULTURE

E.O. 11652: N/A
TAGS: ETRD, MTN, CA
SUBJECT: U.S. - CANADA AGRICULTURAL CONSULTATIONS

REF: A) STATE 5407; B) 76 MTN GENEVA 9957; C) 76 MTN GENEVA
9880; D) 76 MTN GENEVA 8254

1. SUMMARY. U.S. AND CANADA HELD CONSULTATIONS ON JANUARY
25 ON CANADA'S NOTIFICATION OF AGRICULTURAL EXPORT INTERESTS.
THIS MEETING, A FOLLOW-UP TO THE CONSULTATIONS HELD DECEMBER 8,
CLARIFIED MANY OF THE QUESTIONS WHICH HAD THEN BEEN RAISED
BY BOTH DELEGATIONS. NO NEW CANADIAN PROBLEMS SURFACED.
BOTH DELEGATIONS AGREED THAT BILATERAL CONSULTATIONS CON-
TRIBUTED TO A BETTER UNDERSTANDING OF COMMON PROBLEMS AND
SHOULD BE A CONTINUING PROCESS. IT WAS ALSO AGREED THAT A
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JOINT REPORT OF THE CONSULTATION WOULD BE WORKED OUT IN THE
NEAR FUTURE. END SUMMARY.

2. THE FOLLOW-UP CONSULTATION WITH CANADA ON IMPORT
MEASURES MAINTAINED BY THE U.S. ON AGRICULTURAL PRODUCTS
COVERED THE FOLLOWING TOPICS:

A. TARIFF DISPARITIES ON CATTLE, BEEF, POTATOES: CANADIAN DEL (GIFFORD) STRESSED THE DESIRABILITY OF A SIMPLIFICATION OF U.S. TARIFF CLASSIFICATIONS AS WELL AS A HARMONIZATION OF U.S. TARIFF RATES WITH CANADIAN TARIFF LEVELS. FOR INSTANCE, FOR CATTLE, THE U.S. TARIFF BREAKS DOWN IMPORTS ACCORDING TO WEIGHT AND TYPE AND THUS THERE ARE SEVERAL DUTIES. IN CANADA, THERE IS ONLY ONE DUTY. THE SAME APPLIES TO BEEF. U.S. DEL (KOENIG) ASKED HOW AND IN WHICH FORUM CANADA ENVISAGES TO NEGOTIATE THE ELIMINATION OF THESE DISPARITIES AND WHETHER CANADA CONSIDERS THESE TARIFFS TO BE SUBJECT TO THE TARIFF FORMULA. CANADIAN DEL DID NOT EXPLAIN WHETHER OR NOT CANADA CONSIDERS TARIFFS ON AGRICULTURAL PRODUCTS SUBJECT TO THE TARIFF FORMULA BUT STATED THAT WHATEVER THE METHOD OF MODIFYING TARIFFS DETAILED BILATERAL NEGOTIATIONS WOULD BE NECESSARY, PARTICULARLY IN VIEW OF THE FACT THAT THERE IS A TWO-WAY TRADE IN THESE ITEMS BETWEEN THE U.S. AND CANADA.

B. CRYOVAC BAGS: U.S. DEL INDICATED THAT THE DETERMINING FACTOR FOR THE IMPORT CLASSIFICATIONS OF BEEF WAS WHETHER OR NOT IT IS PREPARED OR PRESERVED AND NOT WHETHER IT IS PACKED IN CRYOVAC. THUS, FRESH, CHILLED OR FROZEN BEEF IN CRYOVAC BAGS WOULD BE SUBJECT TO TSUS 106.10 (3CENTS/LB) IF NOT CUT FOR RETAIL SALE. IF CUT FOR RETAIL SALE, FRESH, CHILLED OR FROZEN BEEF IN CRYOVAC BAGS WOULD BE SUBJECT TO 107.50 (7.5PERCENT). IT SEEMS THAT THE CANADIANS ARE INTERESTED IN PRIMAL CUTS NOT FOR RETAIL SALE PACKED IN AIR-TIGHT CRYOVAC BAGS. CANADIANS INDICATED THAT THEY MIGHT RETURN TO THIS QUESTION IN MORE SPECIFIC DETAIL.

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C. U.S. LEGAL AUTHORITY ON MODIFICATION OF TARIFF RATE QUOTAS: CANADIAN DEL STATED THAT FOLLOWING THE DECEMBER CONSULTATION THEY HAD RECEIVED FROM U.S. MTN DEL WRITTEN EXPLANATION OF U.S. TRADE ACT AUTHORITY FOR MODIFYING RATES IN TARIFF QUOTAS. CANADIANS EMPHASIZED THAT IN THIS RESPECT THEIR MAJOR AIM IS TO SEE U.S. TARIFF QUOTAS ON CATTLE, POTATOES, AND FISH COMPLETELY ELIMINATED AND THE DUTY LEVELS FOR THESE PRODUCTS REDUCED TO CANADIAN LEVELS.

D. U.S. MEAT LAW: CANADIANS COMPLAINED THAT THE U.S. APPLIES A DOUBLE STANDARD IN THE BEEF TRADE WITH CANADA. DUTIES IN BOTH COUNTRIES ARE BOUND. BUT WHEN THE U.S. APPLIES QUOTAS IT TAKES A RATHER "PRAGMATIC" VIEW OF THE IMPAIRMENT OF GATT BINDINGS. WHEN CANADA APPLIES SOME RESTRICTIVE MEASURES THE U.S. TAKES A VERY "LEGALISTIC" VIEW OF THE IMPAIRMENT OF BINDINGS AND RETALIATES IMMEDIATELY. U.S. DEL POINTED OUT THAT U.S. IMPORT SYSTEM

SUBJECT TO THE MEAT LAW HAS PERMITTED INCREASING BEEF IMPORTS INTO THE U.S. FROM WHICH CANADA HAS ALSO BENEFITED.

E. MARKETING ORDERS: CANADIAN DEL SAID HE SOUGHT FURTHER INFORMATION ON THIS PROBLEM WHILE HE WAS IN OTTAWA AND AS A RESULT IS STILL CONVINCED THAT MARKETING ORDERS CAN DISCRIMINATE AGAINST IMPORTS, AND CAN BE TECHNICAL IMPAIRMENT OF A BINDING. HE ALSO MENTIONED THAT THERE CAN BE A THIRD COUNTRY IMPACT ON CANADA, E.G., IF MEXICAN PRODUCE DUE TO RESTRICTIVE U.S. MARKET ORDERS IS DIVERTED FROM THE U.S. MARKET INTO CANADA. U.S. DEL STATED THAT PRODUCT STANDARDS SUCH AS THOSE ESTABLISHED UNDER MARKETING ORDERS ARE NOT TRADE RESTRICTIVE PER SE. HE SUGGESTED THAT THIS MATTER BE FURTHER EXPLORED TO WHICH CANADIAN DEL AGREED. U.S. DEL ALSO STATED THAT MARKET ORDERS DO NOT FALL WITHIN THE PURVIEW OF WORK UNDERTAKEN BY THE SAFEGUARD GROUP.

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F. SEASONAL SUPPLY FLUCTUATIONS IN FRUIT AND VEGETABLE SECTOR: CANADIANS AFTER REITERATING THE NECESSITY OF PROTECTING THEIR FRUIT AND VEGETABLE PRODUCERS AGAINST SEASONAL SURPLUS SITUATIONS CAUSED BY THE COINCIDENCE OF HEAVY IMPORTS AND LARGE DOMESTIC SUPPLIES PLEADED FOR U.S. ACCEPTANCE OF CERTAIN CANADIAN SAFEGUARD ACTIONS. IN THIS CONTEXT THEY ASSERTED THAT USE OF A CANADIAN IMPORT SURTAX, BASED ON HISTORICALLY-DETERMINED MINIMUM IMPORT PRICES, HAD NO IMPACT ON TRADITIONAL LEVELS OF TRADE SINCE FOREIGN SUPPLIERS ALWAYS QUICKLY RAISED THEIR SELLING PRICES TO THE MIP LEVEL AND THUS AVOIDED SURTAX. CANADIANS SAID THIS APPROACH HAD LITTLE IMPACT ON U.S. EXPORTS BUT AVOIDED DISASTROUSLY LOWER MARKET CLEARING PRICES IN CANADA. HOWEVER, WHENEVER CANADA TOOK SUCH ACTION IT CREATED ILL-WILL IN THE U.S. AND DEMANDS FOR COMPENSATION. CANADIAN DEL STATED THAT FIRST PART OF LONG-AWAITED CANADIAN TARIFF BOARD REPORT ON FRUITS/VEGETABLES, INCLUDING RECOMMENDED CHANGES IN THE SURTAX SYSTEM, NOW EXPECTED IN APRIL. CANADA IS CONCERNED LEST NEW INTERNATIONAL RULES ON SAFEGUARDS ESTABLISHED IN THE MTN PREVENT CANADA FROM TAKING THE TYPE OF ACTION CANADA HAS TAKEN IN THE PAST.

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FEAE-00 OMB-01 XMB-02 OPIC-03 /105 W
-----311853Z 126333 /43

P R 311800Z JAN 77
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ACTION STR

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G. TARIFFS ON GRAINS AND SOYBEANS: CANADIAN INTEREST
IN DUTIES ON THESE ITEMS IS MAINLY DUE TO FACT THAT THE
U.S. DUTIES ARE SUCH MUCH HIGHER THAN CANADIAN DUTIES.
CANADIAN DEL SUGGESTED IT WAS MORE A PRESIDENTIAL AND
POLITICAL PROBLEM THAT ANYTHING ELSE.

H. FISHERY PRODUCTS: CANADIAN DEL REITERATED THEIR PREVIOUS
SUGGESTIONS FOR THE ESTABLISHMENT OF AN AGRICULTURE SUB-
GROUP ON FISH. THEY STATED THAT TWO OF THE THREE MAJRO
MARKETS FOR CANADIAN FISH EXPORTS APPLY BTN CHAPTER 1-24
DEFINITIONS; FISHERY PRODUCTS HAVE SOME OF THE SAME TYPES
OF PROBLEMS AS AGRICULTURE: AND CANADA WANTS TO SIGNAL
ITS INTERST IN TRADE LIBERALIZATION IN FISH. CANA-
DIAN DEL ALSO SAID THAT NORDIC COUNTRIES SUCH AS NORWAY
COULD BE BROUGHT INTO THE MAINSTREAM OF THE AGRICULTURAL
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NEGOTIATIONS THROUGH SUCH A DEVICE, SINCE THEY HAVE NO
REAL EXPORT INTEREST IN AGRICULTURAL PRODUCTS.

I. RAPESEED OIL: U.S. DEL PROVIDED CANADIAN DEL WITH
BACKGROUND CONTAINED REF A, PARA 6. CANADIAN DEL ASKED
WHEN THE NEW FDA GUIDELINES FOR "GRAS" CERTIFICATION
OF LOW-EURICIC ACID RAPESEED OIL MIGHT BE COMPLETED.

J. CUT FLOWERS: CANADIAN DEL HAD NO FURTHER INFORMATION ON THE NATURE OF THE PROBLEM THEY NOTIFIED CONCERNING MARKS OF ORIGIN.

K. FDA BORDER INSPECTIONS: CANADA SAID THAT THE PROBLEM IS BASICALLY ONE OF DELAYS AND ARBITRARY ACTION. DELAYS ARE CAUSED BECAUSE FOOD AND DRUG INSPECTS PESTICIDE LEVELS ON A COMPLAINT BASIS RATHER THAN ON A SPOT BASIS. WHENEVER CANADA STARTS TO SHIP INTO THE U.S., COMPLAINTS ARE LODGED BY U.S. PRODUCERS. THIS IS PARTICULARLY TROUBLESOME FOR PERISHABLE COMMODITIES. U.S. DEL SUGGESTED THAT CANADA GIVE SPECIFIC EXAMPLES OF ARBITRARY ACTION. AT ANY RATE, SUCH CASES MIGHT BE BETTER HANDLED BILATERALLY THAN IN THE MTN. CANADIAN DEL RESPONDED THAT THESE TYPES OF QUESTIONS SHOULD BE TAKEN INTO ACCOUNT IN THE STANDARDS CODE.

3. AT THE CONCLUSION OF THIS SECOND BILATERAL CONSULTATION CANADIAN DE MADE SOME GENERAL REMARKS ABOUT THE STATUS OF THE AGRICULTURAL NEGOTIATIONS. HE AGREED WITH THE U.S. DEL THAT THESE CONSULTATIONS SHOULD REPRESENT A CONTINUING BILATERAL DIALOGUE AND SAID THAT THEY SHOULD LEAD EVENTUALLY TO NEGOTIATIONS ON BILATERAL ISSUES. IN ITS NOTIFICATION, CANADA TRIED TO FLAG PROBLEMS WHICH ARE OF INTEREST TO CANADA'S DOMESTIC AGRICULTURE AS WELL AS CANADA'S GENERAL EXPORT INTERESTS. CANADA BELIEVES, HOWEVER, THAT UNTIL EC-U.S. PROBLEMS ARE WORKED OUT, THE AGRICULTURAL NEGOTIATIONS CAN GO LITTLE FURTHER. WALKER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURE, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 31-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MTNGE00662
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770034-0279
Format: TEL
From: MTN GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977013/aaaaabxz.tel
Line Count: 251
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 05fb60d3-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 5407, 76 MTN GENEVA 9957
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3536274
Secure: OPEN
Status: NATIVE
Subject: U.S. - CANADA AGRICULTURAL CONSULTATIONS
TAGS: ETRD, CA, US, MTN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/05fb60d3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009